

PARTNER INFORMATION

GENERAL INFORMATION ON FLORIDA BUSINESS TAXES

INTANGIBLE PERSONAL PROPERTY TAX - ACCOUNTS RECEIVABLE

Effective January 1, 2000 the tax on two-thirds of a corporation's account receivable is exempt from the intangible personal property tax. It is the legislature's intent, subject to future legislative act, to exempt the remaining one third of a corporation's accounts receivable. Accounts Receivable include but are not limited to:

- | | |
|---------------------------------------|-------------------------------|
| ✓ Credit Card Receivables | ✓ Credit Receivables |
| ✓ Retail Installment Sales Agreements | ✓ Margin Receivables |
| ✓ Financing Lease Contracts | ✓ Conditional Sales Contracts |
| ✓ Charge Card Receivables | ✓ Inventory Financing |
| ✓ Floor Plan Financing | |

INTANGIBLE PERSONAL PROPERTY TAX - STOCK OPTIONS

Stock options granted to employees by an employer pursuant to an incentive plan are exempt from the intangible personal property tax, provided the stock options are not transferable.

INTANGIBLE PERSONAL PROPERTY TAX

Intangible personal property is taxed at 1.5 mills.

STATE-LEVEL PROPERTY TAX - None.

BUSINESS INVENTORY TAX - None.

CORPORATE FRANCHISE TAX - None on capital stock.

STATE CORPORATE INCOME TAX - C-corporations.

The Florida tax base is the taxpayer's federal taxable income modified by certain additions and subtractions. Taxpayers doing business solely within Florida are subject to tax on 100 percent of this adjusted federal taxable income. Taxpayers doing business in and outside the state apportion this adjusted federal income to Florida by a three-factor formula (25 percent each to property and payroll, and 50 percent to sales). Nonbusiness income allocated to Florida is added to the Florida portion of adjusted federal income. An exemption of \$5,000 is subtracted to arrive at the Florida net income. This net income is taxed at 5.5 percent. S-corporations, with certain exceptions, and partnerships do not pay the state corporate income tax on their earnings.

Credit for Child Care – A corporation may receive up to \$50,000 in tax credits for all approved child care costs that it incurs in any one tax year. Any approved credits that are unused may be carried forward for up to five years. The credit may be used for costs associated with any of the following:

- ⇒ **Start-up costs** of child care facilities operated by a corporation for its employees. The credit is 50% of the costs
- ⇒ **Operation** of a child care facility on behalf of a corporation's employees. The credit is \$50 per month for each child enrolled in the facility.
- ⇒ **Payments** to a child care facility on behalf of a corporation's employees. The credit is 50% of the amount of the payments.

OCCUPATIONAL LICENSE TAX - A local tax for the privilege of engaging in certain specified types of businesses may be levied by county governments and incorporated municipalities.

AD VALOREM TAX - No state-level property tax.

Local governments are responsible for taxes on real and personal property.

Pollution control equipment is assessed at salvage value for property tax purposes. The tax rate (millage) is set by the taxing authority in the governmental unit where the property is located. Millage varies by county.

SALES & USE TAX - Six percent imposed upon:

- ⇒ Purchases of tangible personal property made in other states by persons or business entities for use in Florida.
- ⇒ Manufacturers on the cost price of products removed from inventory for their own use.
- ⇒ Sale of farm equipment is taxed at three percent.

Exemptions apply to:

- ✓ New and expanding manufacturers. Purchases of machinery and equipment used by a new Florida business to manufacture, produce or process tangible personal property for sale. For existing Florida manufacturers, sales tax liability is capped at \$50,000 for purchases of machinery and equipment that will increase production by at least 10 percent
- ✓ certain printing and publishing firms, silicon technology and for maintenance or repair of aircraft
- ✓ Pollution control equipment
- ✓ Electricity and steam used by manufacturers [80 percent exemption effective July 1, 1999; 100 percent exemption effective July 1, 2000] if 75 percent or more is used in manufacturing process (or, 50 percent tax exemption if 50-75 percent is used in manufacturing)
- ✓ Goods manufactured or produced in the state for export outside the state
- ✓ Purchases of raw materials incorporated in a final product for resale, including nonreusable containers or packaging
- ✓ Boiler fuels
- ✓ Co-generation of electricity
- ✓ Aircraft modification, maintenance and repair
- ✓ Commercial space activity -- launch vehicles, payloads and fuel, and machinery and equipment for production of items used exclusively at Spaceport Florida
- ✓ Labor component of Research and Development expenditures
- ✓ Entertainment industry (motion picture, televisions and recording production)

GROSS RECEIPTS TAX - A tax levied upon utility providers.

Utility providers are companies providing telecommunications service, natural or manufactured gas, or electricity service.

Usually this tax is passed through by such companies to their customers, and is separately stated on the customer's bill at a rate of 2.5625 percent.

DOCUMENTARY STAMP TAX - A tax on deeds and other instruments relating to real property or interests in real property of 7 mills.

Paid on promissory notes, trust deeds, mortgages, security agreements, and written promises to pay money, as well as on original issues of stock and bonds, and on deeds conveying interest in realty.

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